

PRICE RIVER WATER IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2006

PRICE RIVER WATER IMPROVEMENT DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Price River Water Improvement District
Price, UT

June 30, 2007

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Price River Water Improvement District, as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Price River Water Improvement District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund, and the aggregate remaining fund information of Price River Water Improvement District, as of December 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Price River Water Improvement District's basic financial statements. The combining and individual nonmajor fund financial statements and impact fee analysis are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The impact fee analysis has not been subjected to auditing procedures applied in an audit of the basic financial statements and accordingly we express no opinion on them.


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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Price River Water Improvement District, we offer readers of Price River Water Improvement District's financial statements this narrative overview and analysis of the financial activities of Price River Water Improvement District for the fiscal year ended December 31, 2006.

Financial Highlights

- As of the end of the current fiscal year, the District's governmental funds reported combined ending net assets of (\$10,421).
- The total net assets of \$13,649,445 are made up of \$12,062,014 in capital assets net of related debt and \$1,587,431 in other net assets.
- In the Enterprise (Proprietary) Funds operating revenues increased by \$131,117. Corresponding operating expenses increased by \$146,980.

Reporting the District as a Whole

This discussion and analysis is intended to serve as an introduction to Price River Water Improvement District's basic financial statements. Price River Water Improvement District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of Price River Water Improvement District's finances, in a manner similar to a private-sector business.

- *The statement of net assets* presents information on all of Price River Water Improvement District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Price River Water Improvement District is improving or deteriorating. However, you will also need to consider other non-financial factors.
- *The statement of activities* presents information showing how the District's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of Price River Water Improvement District that are principally supported by taxes and intergovernmental revenues (governmental activities) and from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 8 -9 of this report.

Reporting the District's Most Significant Funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Price River Water Improvement District also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

- **Governmental funds** – These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The governmental fund financial statements can be found on pages 10–13 of this report.

The major governmental funds (as determined by generally accepted accounting principles) are the General Fund.

- **Proprietary funds** – Price River Water Improvement District maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Price River Water Improvement District uses enterprise funds to account for its Water Utility and Sewer Utility. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among Price River Water Improvement District's various functions. The District uses the Internal Service Funds for the maintenance of its vehicles, and utilities. Because this service primarily services the business-type activities, it has been included in the government-wide financial statements.

The major Enterprise funds (as determined by generally accepted accounting principles) are the Water and Sewer enterprise funds.

The basic proprietary fund financial statements can be found on pages 14 through 16a of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Price River Water Improvement District, assets exceed liabilities by \$13,649,445.

One of the largest portions of Price River Water Improvement District's net assets (88%) reflects its investment in capital assets (e.g., land, buildings, plant, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Price River Water Improvement District

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ (33,381)	\$ 59,420	\$ 2,699,671	\$ 2,085,181	\$ 2,666,290	\$ 2,144,601
Capital assets	79,586	84,108	24,572,388	25,454,527	24,651,974	25,538,635
Total assets	46,205	143,528	27,272,059	27,539,708	27,318,264	27,683,236
Long-term debt outstanding	47,967	43,868	12,388,994	13,331,132	12,436,961	13,375,000
Other liabilities	8,659	38,642	1,223,199	422,854	1,231,858	461,496
Total liabilities	56,626	82,510	13,612,193	13,753,986	13,668,819	13,836,496
Net Assets:						
Invested in capital assets,						
Net of related debt	79,586	84,108	11,982,428	9,498,772	12,062,014	9,582,880
Restricted	-	-	586,233	583,117	586,233	583,117
Unrestricted	(90,007)	(23,090)	1,091,205	3,703,833	1,001,198	3,680,743
Total net assets	\$ (10,421)	\$ 61,018	\$ 13,659,866	\$ 13,785,722	\$ 13,649,445	\$ 13,846,740

The following table summarizes the District's changes in net assets.

Price River Water Improvement District

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 2,900,935	\$ 2,769,818	\$ 2,900,935	\$ 2,769,818
Operating grants and Contributions	-	-	51,248	93,154	51,248	93,154
Capital grants and Contributions			252,551	184,217	252,551	184,217
General revenues:						
Property taxes	877,062	872,795	166,588	169,243	1,043,650	1,042,038
Transfers	-	-	-	-	-	-
Other	13,925	17,949	16,259	17,216	30,184	35,165
Total revenues	<u>890,987</u>	<u>890,744</u>	<u>3,387,581</u>	<u>3,233,648</u>	<u>4,278,568</u>	<u>4,124,392</u>
Expenses:						
General government:	962,426	971,930			962,426	971,930
Water utility			1,474,288	1,339,366	1,474,288	1,339,366
Sewer utility			2,039,149	2,053,379	2,039,149	2,053,379
Total expenses	<u>962,426</u>	<u>971,930</u>	<u>3,513,437</u>	<u>3,392,745</u>	<u>4,475,863</u>	<u>4,364,675</u>
Increase (decrease) in net assets	(71,439)	(81,186)	(125,856)	(159,097)	(197,295)	(240,283)
Net assets - beginning	<u>61,018</u>	<u>142,204</u>	<u>13,785,722</u>	<u>13,944,819</u>	<u>13,846,740</u>	<u>14,087,023</u>
Net assets - ending	<u>\$ (10,421)</u>	<u>\$ 61,018</u>	<u>\$ 13,659,866</u>	<u>\$ 13,785,722</u>	<u>\$ 13,649,445</u>	<u>\$ 13,846,740</u>

Business-type Activities - Business-type activities decreased the District's net assets by \$(125,856). As of the end of the current fiscal year, all of the business-type funds reported positive net assets.

Financial Analysis of the Government's Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance and total fund balance of the general fund was \$(132,601). As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved and total fund balance represents 7% of total general fund expenditures.

Long-term Debt. At the end of the current year, the District had total bonded debt outstanding of \$12,388,991 and is secured solely by specific revenue (enterprise) sources (i.e., revenue bonds).

Business Type Activities	12/31/06
5% General Obligation Bond 1976	\$ 916,000
5% General Obligation Bond 1981	131,470
0% Water Revenue Bond 1986	10,500
0% Sub. Water Revenue Bond 1989	351,950
0% Water Revenue Bond	1,064,000
2.50% Sub. Water Revenue Bond 1994B	1,961,000
0% Water Revenue Bond	200,000
1.27 % Water & Sewer Revenue Bond 2003B	968,000
Water & Sewer Refunding Bond 1993B	4,156,496
5.9% Water & Sewer Bond 1996	598,000
4% Water & Sewer Revenue Bond 2000-A	728,397
Water & Sewer Revenue Bond 2000-B	609,398
2.5 % Sewer Revenue Bond 2004	636,000
7% Note Payable to Hamilton	20,775
Capital Lease	37,005

The District's total outstanding debt decreased by \$810,871 during fiscal year 2006. This was a result of the required debt service payments.

Additional information on the District's long-term debt can be found in the footnotes to this financial report.

Economic Factors and Next Year's Budgets and Rates

- The General Fund budget for the fiscal year-ending December 31, 2007 reflects an increase of 61% over the final fiscal year ending December 31, 2006.

Request for Information

This financial report is designed to provide a general overview of Price River Water Improvement District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Price River Water Improvement District, P.O. Box 9036 Price, UT 84628.

BASIC FINANCIAL STATEMENTS

PRICE RIVER WATER IMPROVEMENT DISTRICT
STATEMENT OF NET ASSETS
DECEMBER 31, 2006

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and Cash Equivalents	\$ 69,614	\$ 644,866	\$ 714,480
Restricted Cash		354,907	354,907
Receivables:			
Accounts (Net of allowance)		386,247	386,247
Intergovernmental	60,380	19,706	80,086
Interest		453	453
Internal Balances	(163,375)	163,375	-
Inventory		183,820	183,820
Notes Receivable		30,182	30,182
Bond Issuance Costs (Net)		76,858	76,858
Capital assets (net of accumulated depreciation):	79,586	24,572,388	24,651,974
Total assets	<u>46,205</u>	<u>26,432,802</u>	<u>26,479,007</u>
LIABILITIES			
Accounts payable and accrued liabilities	8,659	50,155	58,814
Bond interest payable		201,901	201,901
Long Term Liabilities			
Due Within One Year		844,096	844,096
Due in More Than One Year	47,967	11,676,784	11,724,751
Total liabilities	<u>56,626</u>	<u>12,772,936</u>	<u>12,829,562</u>
NET ASSETS			
Invested in capital assets, net of related debt	79,586	11,982,428	12,062,014
Restricted:			
Debt Service		547,564	547,564
Impact fees		38,669	38,669
Unrestricted	(90,007)	1,091,205	1,001,198
Total net assets	<u>\$ (10,421)</u>	<u>\$ 13,659,866</u>	<u>\$ 13,649,445</u>

See accompanying notes to the financial statements.

PRICE RIVER WATER IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2006

Function/Programs	Program Revenues				Net (Expense) Revenue & Chgs in Net Assets			
	Expenses	Charges for Services	Operating		Capital Grants and Contributions	Primary Government		
			Grants and Contributions	Grants and Contributions		Governmental Activities	Business-type Activities	Total
Primary government:								
Governmental activities:								
General government	\$ 962,426	\$ -	\$ -	\$ -	-	\$ (962,426)	\$ -	\$ (962,426)
Total governmental activities	<u>962,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(962,426)</u>	<u>-</u>	<u>(962,426)</u>
Business-type activities:								
Water	1,474,288	1,127,593	15,250	252,551			(78,894)	(78,894)
Sewer	2,039,149	1,773,342	35,998				(229,809)	(229,809)
Total business-type activities	<u>3,513,437</u>	<u>2,900,935</u>	<u>51,248</u>	<u>252,551</u>		<u>-</u>	<u>(308,703)</u>	<u>(308,703)</u>
Total primary government	<u>\$ 4,475,863</u>	<u>\$ 2,900,935</u>	<u>\$ 51,248</u>	<u>\$ 252,551</u>		<u>\$ (962,426)</u>	<u>\$ (308,703)</u>	<u>\$ (1,271,129)</u>
General revenues:								
Property taxes						\$ 877,062	\$ 166,588	\$ 1,043,650
Unrestricted investment earnings						13,925	9,759	23,684
Gain on sale of capital assets						0	6,500	6,500
Total general revenues						<u>890,987</u>	<u>182,847</u>	<u>1,073,834</u>
Change in net assets						<u>(71,439)</u>	<u>(125,856)</u>	<u>(197,295)</u>
Net assets - beginning						61,018	13,785,722	13,846,740
Net assets - ending						<u>\$ (10,421)</u>	<u>\$ 13,659,866</u>	<u>\$ 13,649,445</u>

See accompanying notes to the financial statements.

PRICE RIVER WATER IMPROVEMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	General Fund	Non-Major Special Revenue Tort Liability Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 69,614	\$ 69,614
Taxes Receivable	54,263	6,117	60,380
Total assets	<u>\$ 54,263</u>	<u>\$ 75,731</u>	<u>\$ 129,994</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable & accrued liabilities	\$ 1,159	\$ -	\$ 1,159
Accrued wages payable	7,500		7,500
Due to other funds	163,375		163,375
Deferred Revenue	14,830	1,671	16,501
Total liabilities	<u>186,864</u>	<u>1,671</u>	<u>188,535</u>
Fund Balances:			
Unreserved	(132,601)	74,060	(58,541)
Total fund balances	<u>(132,601)</u>	<u>74,060</u>	<u>(58,541)</u>
Total liabilities & fund balances	<u>\$ 54,263</u>	<u>\$ 75,731</u>	<u>\$ 129,994</u>

See accompanying notes to the financial statements.

PRICE RIVER WATER IMPROVEMENT DISTRICT
BALANCE SHEET RECONCILIATION TO
STATEMENT OF NET ASSETS
DECEMBER 31, 2006

Total fund balances - governmental fund types: \$ (58,541)

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets are recorded as expenditures in the governmental funds. However, the statement of net assets includes those capital assets among the assets of the district as a whole.

Cost of Capital Assets	\$ 235,042
Accumulated Depreciation	<u>(155,456)</u>

Net adjustments to increase <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	79,586
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Other Long-term assets are not available to pay for current period expenditures are deferred in the fund statements.

Delinquent Property Taxes	16,501
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the fund statements. All liabilities (both current and long-term) are reported in the statement of net assets.

Compensated absences	(47,967)
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Net assets of government activities	<u><u>\$ (10,421)</u></u>
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See accompanying notes to the financial statements.

PRICE RIVER WATER IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2006

	General Fund	Non-Major Special Revenue Tort Liability Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 790,523	\$ 89,415	\$ 879,938
Interest	13,925		13,925
Total revenues	<u>804,448</u>	<u>89,415</u>	<u>893,863</u>
EXPENDITURES			
Current:			
Administration	859,282	94,523	953,805
Total expenditures	<u>859,282</u>	<u>94,523</u>	<u>953,805</u>
Excess revenues over (under) expenditures	<u>(54,834)</u>	<u>(5,108)</u>	<u>(59,942)</u>
Other financing sources (uses)			
Sale of capital assets	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	(54,834)	(5,108)	(59,942)
Fund balances - beginning of year	(77,767)	79,168	1,401
Fund balances - end of year	<u>\$ (132,601)</u>	<u>\$ 74,060</u>	<u>\$ (58,541)</u>

See accompanying notes to the financial statements.

PRICE RIVER WATER IMPROVEMENT DISTRICT
STATEMENT OF CHANGES RECONCILIATION TO
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ (59,942)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ -	
Depreciation expense	4,522	
Net adjustment to decrease net changes in <i>fund balances-total governmental funds</i> to arrive at changes in <i>net assets of governmental activities</i>		(4,522)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	(2,876)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the funds.

Compensated absences	<u>(4,099)</u>
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Change in net assets of governmental activities	<u><u>\$ (71,439)</u></u>
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PRICE RIVER WATER IMPROVEMENT DISTRICT

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

DECEMBER 31, 2006

	Business-Type Activities - Enterprise			Governmental Activities- Internal Service Funds
	Water	Sewer	Total Enterprise funds	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 644,866	\$ -	\$ 644,866	\$ -
Receivables				
Accounts	128,613	257,634	386,247	
Intergovernmental	19,706		19,706	
Interest	453		453	
Due from other funds	1,002,632		1,002,632	
Inventory	51,737	20,681	72,418	111,402
Current portion notes receivable	14,760		14,760	
Total current assets	1,862,767	278,315	2,141,082	111,402
Noncurrent assets:				
Restricted cash and cash equivalents	346,853	8,054	354,907	
Non current notes receivable	15,422		15,422	
Bond issuance costs (net of amortization)	49,810	27,048	76,858	
Capital assets	19,490,348	20,409,468	39,899,816	1,444,772
Less: Accumulated depreciation	(6,217,524)	(9,611,982)	(15,829,506)	(942,694)
Total noncurrent assets	13,684,909	10,832,588	24,517,497	502,078
Total assets	15,547,676	11,110,903	26,658,579	613,480
LIABILITIES				
Current liabilities:				
Accounts payable	5,135	12,039	17,174	11,482
Accrued wages payable	5,186	5,493	10,679	10,820
Due to other funds		368,644	368,644	470,613
Bond interest payable	90,891	110,075	200,966	935
Accrued compensated absences	28,307	20,954	49,261	82,625
Current portion of long-term debt	396,244	429,694	825,938	18,158
Total current liabilities	525,763	946,899	1,472,662	594,633
Noncurrent liabilities:				
Long-term debt	5,206,676	6,319,375	11,526,051	18,847
Total noncurrent liabilities	5,206,676	6,319,375	11,526,051	18,847
Total liabilities	5,732,439	7,266,274	12,998,713	613,480

See accompanying notes to the financial statements.

PRICE RIVER WATER IMPROVEMENT DISTRICT

STATEMENT OF NET ASSETS (Continued)

PROPRIETARY FUNDS

DECEMBER 31, 2006

(CONTINUED)

	Business-Type Activities - Enterprise			Governmental Activities- Internal Service Funds
	Water	Sewer	Total Enterprise funds	
Net Assets:				
Invested in capital assets, net of related debt	\$ 7,579,013	\$ 3,938,342	\$ 11,517,355	\$ 465,073
Restricted				
Debt Service	547,564		547,564	
Impact Fees	38,669		38,669	
Unrestricted	1,649,991	(93,713)	1,556,278	(465,073)
Total net assets	<u>\$ 9,815,237</u>	<u>\$ 3,844,629</u>	<u>\$ 13,659,866</u>	<u>\$ -</u>
Adjustment to reflect the consolidation of internal service activities related to enterprise funds			<u>\$ -</u>	
Net assets of business-type activities			<u>\$ 13,659,866</u>	

See accompanying notes to the financial statements.

PRICE RIVER WATER IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2006

	Business-Type Activities - Enterprise Funds			Governmental Activities- Internal Service Funds
	Water	Sewer	Total Enterprise funds	
Operating revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ 1,388,857
Charges for services pledged as security on revenue bonds	1,120,359	1,773,342	2,893,701	
Miscellaneous Revenue	7,234		7,234	
Total operating revenues	1,127,593	1,773,342	2,900,935	1,388,857
Operating expenses:				
Wages & benefits	352,311	387,044	739,355	874,460
Purchased services	482,588	859,165	1,341,753	58,664
Supplies and materials	106,210	90,137	196,347	348,464
Depreciation and amortization	414,947	520,649	935,596	100,233
Miscellaneous	3,696	5,060	8,756	5,585
Total operating expenses	1,359,752	1,862,055	3,221,807	1,387,406
Operating income	(232,159)	(88,713)	(320,872)	1,451
Nonoperating revenues (expenses):				
Interest revenue	9,032	727	9,759	
Property taxes	166,588		166,588	
Impact fees	15,250	35,998	51,248	
Grants	20,000		20,000	
Sale of Capital Assets	6,500		6,500	
Interest expense and fiscal charges	(114,536)	(177,094)	(291,630)	(1,451)
Total nonoperating revenues (expenses)	102,834	(140,369)	(37,535)	(1,451)
Income before contributions & transfers	(129,325)	(229,082)	(358,407)	0
Capital contributions	232,551		232,551	
Total contributions & transfers	232,551	0	232,551	0
Net income (loss)	103,226	(229,082)	(125,856)	0
Change in net assets	103,226	(229,082)	(125,856)	0
Total net assets - beginning	9,712,011	4,073,711		0
Total net assets - ending	\$ 9,815,237	\$ 3,844,629		\$ -
Adjustment to reflect the consolidation of internal service activities related to enterprise funds			0	
Change in net assets of business-type activities			\$ (125,856)	

See accompanying notes to the financial statements.

PRICE RIVER WATER IMPROVEMENT DISTRICT

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS YEAR ENDED DECEMBER 31, 2006

	Business-Type Activities - Enterprise Funds			Governmental Activities- Internal Service Funds
	Water	Sewer	Total Enterprise funds	
Cash Flows From Operating Activities				
Receipts from customers	\$ 1,155,027	\$ 1,775,156	\$ 2,930,183	
Payments from interfund services			-	\$ 1,388,857
Payments to suppliers	(288,388)	(313,054)	(601,442)	(460,964)
Payments to interfund services	(401,520)	(682,343)	(1,083,863)	
Payments to employees	(351,478)	(391,062)	(742,540)	(869,407)
Net cash provided (used) by operating activities	113,641	388,697	502,338	58,486
Cash Flows From Noncapital Financing Activities				
Operating transfers to other funds	(196,166)	124,418	(71,748)	-
Cash Flows From Capital and Related Financing Activities				
Cash from property taxes	166,588		166,588	
Cash from capital contributions	90,151		90,151	
Cash from impact fees	15,250	35,998	51,248	
Cash from grant	20,000		20,000	
Cash from sale of capital assets	6,500		6,500	
Cash from Project Reimbursement	52,275	9,654	61,929	
Purchases of capital assets	(28,350)		(28,350)	(38,926)
Principal paid on capital debt	(389,998)	(403,378)	(793,376)	(17,495)
Interest paid on capital debt	(122,844)	(194,511)	(317,355)	(2,065)
Net cash provided (used) by capital and related financing activities	(190,428)	(552,237)	(742,665)	(58,486)
Cash Flows From Investing Activities				
Interest and dividends received	9,032	727	9,759	
Net increase (decrease) in cash and cash equivalents	(263,921)	(38,395)	(302,316)	
Cash and cash equivalents - beginning	1,255,640	46,449	1,302,089	
Cash and cash equivalents - ending	\$ 991,719	\$ 8,054	\$ 999,773	\$ -

See accompanying notes to the financial statements.

PRICE RIVER WATER IMPROVEMENT DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2006

	Business-Type Activities - Enterprise Funds			Governmental Activities- Internal Service Funds
	Water	Sewer	Total Enterprise funds	
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	\$ (232,159)	\$ (88,713)	\$ (320,872)	\$ 1,451
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	411,745	517,909	929,654	100,233
Amortization expense	3,202	2,740	5,942	
(Increase) decrease in receivables	27,434	1,814	29,248	
(Increase) decrease in Inventory	(1,423)	(3,323)	(4,746)	(21,787)
Increase (decrease) in accounts payable	(95,991)	(37,712)	(133,703)	(12,006)
Increase (decrease) in accrued wages payable	230	370	600	649
Increase (decrease) in Due to other funds				(14,458)
Increase (decrease) in compensated absences	603	(4,388)	(3,785)	4,404
Total adjustments	345,800	477,410	823,210	57,035
Net cash provided (used) by operating activities	\$ 113,641	\$ 388,697	\$ 502,338	\$ 58,486

Supplemental Disclosures

Noncash Financing and Investing Transaction:

Contributed water shares \$ 142,400

PRICE RIVER WATER IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Price River Water Improvement District's (the District's) financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict the GASB pronouncements. The District applies FASB pronouncements issued after that date to its business-type activities and enterprise funds. The more significant accounting policies established by GAAP and used by the District are discussed below.

A. Reporting Entity

The District was incorporated in 1960 under the laws of the State of Utah and operates under a five member board of trustees form of government. The District is the level of government which has governing responsibilities over the activities related to providing water and waste water treatment facilities to the unincorporated areas of Carbon County. Financial statements are presented for all the funds and account groups considered to be controlled by or dependent on the District. Control or dependence is determined by financial accountability as defined in GASB Statement 14.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: 1) charges to customers or applicants who purchase, use directly benefit from goods, services, or privileges, provided by a given function or activity or (2) grants and contributions that are restricted to meeting the operational or capital requirements of particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

PRICE RIVER WATER IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006

NOTE 1 – SUMMARY (*Continued*)

Separate financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Presentation

The government-wide financial statements are reported using the economic resources measurements focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified basis of accounting. Revenues are recognized when susceptible to accrual (i.e., when they are “measurable, and available”). “Measurable” means the amount of the transaction can be determined and “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after the year-end. Expenditures are recorded when the related fund liability is incurred, except for expenditures related to compensated absences, claims, and judgments, which are recorded only when payment is due.

Earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenue when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when the District receives the cash.

The District reports the following major governmental funds:

The *General Fund* is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

PRICE RIVER WATER IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006

NOTE 1 – SUMMARY (*Continued*)

Special Revenue Fund - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are generally restricted to expenditures for specific purposes. The District has one Special Revenue Fund - *Tort Liability Fund* - which is used to account for tax levies reserved for liability insurance.

The District reports the following major proprietary funds:

The *Water fund* accounts for the activities of the District's water production, treatment and distribution operations.

The *Sewer Fund* accounts for the activities of the District's sewer treatment operations.

Additionally, the District reports two internal service funds to account for the costs of operating and maintaining vehicles and utilities owned by the District.

As a general rule, the effect of inter-fund activity has been eliminated from the government financial statements. Exceptions to this general rule are payments to the general fund by various enterprise funds for the providing of administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

The District considers cash and cash equivalents for its statement of cash flows to include cash held in its checking and savings accounts and certain amounts invested with Utah State Public Treasurer's Investment Fund with an original maturity of three months or less.

PRICE RIVER WATER IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006

NOTE 1 – SUMMARY (Continued)

2. Inventory

Inventories consist primarily of supplies and replaceable operational parts valued at cost using the FIFO (first in/first out) method.

3. Restricted Assets

Cash, which is restricted to a particular use due to statutory, budgetary, or bonding requirements by outside parties, is classified as "restricted cash" on the Financial Statements. Restricted cash would be spent first and then unrestricted would be used when the restricted funds are depleted. Restricted assets are as follows:

Bond Escrows	\$ 245,666
Project Construction	26,105
Impact Fees	83,136

4. Receivables and payables

Activity between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to either "due to or due from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

5. Capital Assets

Capital assets, which include property, plant, equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. No interest was capitalized in 2006.

PRICE RIVER WATER IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006

NOTE 1 – SUMMARY *(Continued)*

The investment in water stock is recorded at cost. The total owned by the District at December 31, 2006 was 3,062 shares.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>
Buildings and structures	30-50
Utility systems	20-40
Machinery and equipment	4-20

6. Compensated Absences

The District allows employees to accumulate unused sick leave to a maximum of 200 days and 30 days of unused vacation. Upon termination, with proper notice, the employee is paid \$30 a day for unused sick leave and his or her hourly rate for unused vacation. Upon retirement, the retiree is paid \$25 a day for unused sick leave and his or her standard hourly rate for unused vacation.

7. Property Taxes

The property taxes of the District are levied, collected, and distributed by Carbon County as required by Utah State law. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess property as of January 1st, and complete the tax rolls by May 15th. By July 21st, the county auditor is to mail notices of assessed value and tax changes to property owners. A taxpayer may then petition the County Board of Equalization between August 1st and August 15th for a revision of the assessed value. Approved changes in assessed value are made by the county auditor by November 1st, who also delivers the completed assessment rolls to the county treasurer on that same date. Tax notices have a due date of November 30th.

8. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

PRICE RIVER WATER IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006

8. Long-term obligations *(Continued)*

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund Equity

In the fund statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. Estimates

Presenting financial statements in conformity with Generally Accepted Accounting Principles requires management to make certain estimates concerning assets, liabilities, revenues and expenses. Actual results may vary from these estimates.

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

The Board of Trustees follows these procedures in establishing the budgetary data reflected in the financial statements.

1. On or before November 1st, the District prepares a tentative budget for the next budget year.
2. A public hearing is then held on the adoption of the budget.
3. After the public hearing, the Board of Trustees proposes the budget by resolution.
4. On or before December 15th, the Board of Trustees adopts the budget by resolution.
5. Department heads may transfer unexpended budgeted amounts within their departments with approval of the Board of Trustees.
6. The Board of Trustees may transfer unexpended budget amounts from one department in a fund to another department in the same fund by resolution.

PRICE RIVER WATER IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006

NOTE 2 – BUDGETS *(Continued)*

7. Budget appropriation may be increased only after a public hearing has been held and followed by resolution of the Board of Trustees.
8. Formal budgetary integration is employed as a management control device during the year for the General Fund and Capital Projects Funds.
9. Budgets for the General and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Such budget procedures are required by Utah State Statute and are documented in the Uniform Fiscal Procedures Act for Counties within the State Code.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits and investments for local government are governed by the Utah Money Management Act (*Utah code annotated, Title 51, Chapter 7, "the Act."*) and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management.

A. Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the North Fork Special Services District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the District to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2006, \$1,005,923 of the District's bank balances of \$ 1,205,923 were uninsured and uncollateralized.

Investments. Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk of investments. The entire \$292 of the District's investments in money markets are uninsured, unregistered, and held by the counterpart's trust department but not in the District's name and are therefore exposed to custodial credit risk.

PRICE RIVER WATER IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

B. Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act. The act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations one of which must be Moody's Investment Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rate "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

The District is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on amortized cost bases. The income, gains, and losses net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

The following are the District's investments at December 31, 2006

Investments	Investment Maturities (in Years)				Rating
	Less Than 1	1-5	6-10	More than 10	
Money Market	\$ 292	\$ -	\$ -	\$ -	Unrated
Utah Public Treasurer's Investment Fund	37,856				Unrated
Total Investments	<u><u>\$ 38,148</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	

PRICE RIVER WATER IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its discourse to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the finds to be invested. Maturities of the District's investments are noted above.

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy is to adhere to the rule of the Money Management Council. The District does not have concentrations of credit risk.

Restricted Cash – Consists of monies held for bond reserves, bond sinking funds, and monies held in trust. Management has determined to first use restricted assets, then unrestricted assets when applicable expense is incurred.

NOTE 4 – RECEIVABLES

Receivables as of year-end for the government's individual major funds:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Special Revenue</u>	<u>Total</u>
Receivables:					
Taxes	\$54,263	\$11,440	\$ -	\$6,117	\$71,820
Interest	-	453	-	-	453
Accounts	-	128,613	257,634	-	386,247
Intergovernmental	-	8,266	-	-	8,266
Total Receivables	<u>\$54,263</u>	<u>\$148,772</u>	<u>\$257,634</u>	<u>\$6,117</u>	<u>\$466,786</u>

PRICE RIVER WATER IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2006 is as follows:

Due to / from other funds:			
Receivable fund	Amount	Payable fund	Amount
Water	\$1,002,632	General	\$ 163,375
		Sewer	368,644
		Fleet Maintenance	96,549
		Utility Maintenance	374,064
			<u>\$1,002,632</u>

Interfund balances are created to support temporary cash deficiencies in the applicable funds.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year the deferred revenue is as follows:

	<u>Unavailable</u>
Delinquent Property Taxes	\$16,501

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 was as follows:

Primary Government	Beginning			Ending
Governmental activities:	Balance	Increases	Decreases	Balance
Capital assets not being depreciated:				
Total capital assets not being depreciated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Capital assets being depreciated:				
Buildings	95,984	-	-	95,984
Machinery and equipment	139,058	-	-	139,058
Total capital assets being depreciated	<u>235,042</u>	<u>-</u>	<u>-</u>	<u>235,042</u>
Less accumulated depreciation for:				
Buildings	17,413	2,400		19,813
Machinery and equipment	133,521	2,122	-	135,643
Total accumulated depreciation	<u>150,934</u>	<u>4,522</u>	<u>-</u>	<u>155,456</u>
Total capital assets, being depreciated, net	<u>84,108</u>	<u>(4,522)</u>	<u>-</u>	<u>79,586</u>
Governmental activities capital assets, net	<u>\$ 84,108</u>	<u>\$ (4,522)</u>	<u>\$ -</u>	<u>\$ 79,586</u>

PRICE RIVER WATER IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 394,751	\$ -	\$ -	\$ 394,751
Water Rights	2,583,699	142,400	-	2,726,099
Total capital assets not being depreciated	2,978,450	142,400	-	3,120,850
Capital assets being depreciated:				
Buildings	15,081,447	5,948	-	15,087,395
Utility Systems	21,868,147	28,350	(61,929)	21,834,568
Machinery and equipment	1,268,796	32,978	-	1,301,774
Total capital assets being depreciated	38,218,390	67,276	(61,929)	38,223,737
Less accumulated depreciation for:				
Buildings	8,578,555	377,323	-	8,955,878
Utility Systems	6,240,297	552,179	-	6,792,476
Machinery and equipment	923,461	100,384	-	1,023,845
Total accumulated depreciation	15,742,313	1,029,886	-	16,772,199
Total capital assets, being depreciated, net	22,476,077	(962,610)	(61,929)	21,451,538
Business-type activities capital assets, net	\$25,454,527	\$(820,210)	\$ (61,929)	\$24,572,388

The decrease in assets of \$61,929, was due to reimbursements from the county on certain projects. These projects were completed at the end of 2006. Therefore no depreciation had been booked.

Depreciation was charged to the functions/programs of the primary government as follows

Governmental Activities:

General Government \$ 4,522

Business-Type Activities

Water 411,744
Sewer 517,909
Internal Service Funds
Utility Maintenance 34,614
Fleet Maintenance 65,619
Total Business-type Activities 1,029,886

Total Depreciation Expense \$ 1,034,408

PRICE RIVER WATER IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006

NOTE 7 – LEASE COMMITMENTS

The District during 2005 executed a lease in the amount of \$54,500 payable in annual installments for 3 years.

The assets acquired through capital lease are as follows:

	<u>Business-type Activities</u>
Asset:	
Machinery and Equipment	\$ 54,500
Less: Accumulated Depreciation	(17,333)
Total	<u>\$ 37,167</u>

Amortization of capital assets purchased under capital a lease is included in depreciation.

The present value of future minimum capital lease payments under these leases as of December 31, 2006 are:

<u>Fiscal Year</u>	<u>Amount</u>
2007	\$ 19,561
2008	19,560
Total Minimum Lease Payments	39,121
Less amounts representing interest	(2,116)
Present value of minimum lease payments	<u>\$ 37,005</u>

At December 31, 2006 the district's capital lease balance consisted of the following:

	<u>Total Capital Leases Payable</u>
Capital Lease Payable	\$ 37,005
Current portion of capital lease payable	(18,158)
Total long term lease payable	<u>\$ 18,847</u>

PRICE RIVER WATER IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006

NOTE 8 – LONG-TERM DEBT

Bonds and notes payable at December 31, 2006 consist of the following:

A) \$2,000,000 Water General Obligation Bond Series A. This bond requires annual installments of principal and interest due beginning January 1, 1977 through January 1, 2016, bearing an interest rate of 5%.	\$916,000
B) \$292,707 Water General Obligation Bond Series A. This bond requires annual installments of principal and interest due beginning June 1, 1982 through June 1, 2017, bearing an interest rate of 5%.	131,470
C) \$210,000 Water Revenue Bond. This bond requires annual installments of principal due beginning January 1, 1988 through January 1, 2007, bearing an interest rate of 0%.	10,500
D) \$561,000 Subordinated Water Revenue Bond. This bond requires annual installments of principal due beginning January 1, 1988 through January 1, 2007, bearing an interest rate of 0%.	351,950
E) \$1,500,000 Water Revenue Bond. This bond requires annual installment of principal due beginning April 1, 1998 through April 1, 2015, bearing an interest rate of 0%.	1,064,000
F) \$2,725,000 Subordinated Water Revenue Bond. This bond requires annual installments of principal and interest due beginning April 1, 1997 through April 1, 2021, bearing an interest rate of 2.5%, requiring cash balance of lessor of bond balance or \$245,375	1,961,000
G) \$200,000 Water Revenue Bond. This bond requires annual installments of principal due beginning April 1, 2016 through April 1, 2017, bearing an interest rate of 0%.	200,000
H) \$930,400 Water & Sewer Revenue Bond. This bond requires annual installments of principal and interest due beginning April 1, 2005 through April 1, 2029, bearing an interest rate of 1.27%.	968,000
I) \$6,488,496 Water & Sewer Refunding Revenue Bond. This bond requires annual installments of principal and interest due beginning April 1, 1996 through April 1, 2020, bearing an interest rate of 2.72%.	4,156,496

PRICE RIVER WATER IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006

NOTE 8 – LONG-TERM DEBT (Continued)

J) \$814,000 Water & Sewer Bond. This bond requires annual installments of principal and semi-annual installments of interest due beginning April 1, 1997 through October 1, 2011, bearing an interest rate of 5.9%.	\$ 598,000
K) \$1,000,000 Water & Sewer Revenue Bond. This bond requires annual installments of principal and interest due beginning April 1, 2001 through April 1, 2020, bearing an interest rate of 4%.	728,397
L) \$1,000,000 Water & Sewer Revenue Bond. This bond requires annual installments of principal due beginning April 1, 2001 through April 1, 2019, bearing an interest rate of 0%.	609,398
M) \$700,000 Water & Sewer Revenue Bond. This bond requires annual installments of principal due beginning April 1, 2005 through April 1, 2029, bearing an interest rate of 2.5%.	636,000
N) \$60,843 Note Payable for the purchase of property. This note requires monthly installments of principle and interest beginning March 1, 1993 through December 1, 2010, bearing an interest rate of 7%.	<u>20,775</u>
Total Bonds & Notes	<u>\$12,351,986</u>

Debt Service requirements to maturity for all the District's bonds and notes are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 826,939	\$ 302,595	\$ 1,129,533
2008	847,311	283,214	1,130,526
2009	882,271	262,600	1,144,871
2010	955,132	240,649	1,195,781
2011-15	4,485,243	985,714	5,470,957
2016-20	3,507,291	351,630	3,858,921
2021-25	541,000	51,649	592,649
2026-29	306,799	12,745	319,544
	<u>\$ 12,351,986</u>	<u>\$2,490,796</u>	<u>\$14,842,782</u>

PRICE RIVER WATER IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006

NOTE 8 – (Continued)

Changes in Long Term Debt

Governmental Activities	12/31/2005	Additions	Retirements	12/31/2006	Due in one Year
Compensated Absences	\$ 43,868	\$ 4,099	\$ -	\$ 47,967	
Business Type Activities	12/31/2005	Additions	Retirements	12/31/2006	Due in one Year
5% General Obligation Bond 1976	\$ 986,000	\$ -	\$ 70,000	\$ 916,000	\$ 73,000
5% General Obligation Bond 1981	141,768		10,298	131,470	10,744
0% Water Revenue Bond 1986	21,000		10,500	10,500	10,500
0% Sub. Water Revenue Bond 1989	393,150		41,200	351,950	40,000
0% Water Revenue Bond	1,181,000		117,000	1,064,000	117,000
2.50% Sub. Water Revenue Bond 1994B	2,066,000		105,000	1,961,000	108,000
0% Water Revenue Bond	200,000			200,000	
1.27 % Water & Sewer Revenue Bond 2003B	1,004,000		36,000	968,000	37,000
Water & Sewer Refunding Bond 1993B	4,397,496		241,000	4,156,496	248,000
5.9% Water & Sewer Bond 1996	646,000		48,000	598,000	64,000
4% Water & Sewer Revenue Bond 2000-A	767,397		39,000	728,397	41,000
Water & Sewer Revenue Bond 2000-B	659,398		50,000	609,398	50,000
2.5 % Sewer Revenue Bond 2005	657,000		21,000	636,000	22,000
7% Note Payable to Hamilton	25,153		4,378	20,775	4,694
Capital Equipment Lease	54,500		17,495	37,005	18,158
Compensated Absences	131,270	5,004	4,388	131,886	
Totals	\$ 13,331,132	\$ 5,004	\$ 815,259	\$12,520,877	\$ 844,096

Interest on long-term debt of \$318,821 was included in direct functional expenses.

NOTE 9 - RETIREMENT PLANS

Local Governmental - Cost Sharing

Plan Description. Price River Water Improvement District contributes to the Local Governmental Contributory Retirement System for employers without Social Security coverage, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

PRICE RIVER WATER IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006

NOTE 9 - RETIREMENT PLANS (Continued)

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake District, UT 84102 or by calling 1-800-365-8772.

Funding Policy. In the Local Governmental Non-contributory Retirement System Price River Water Improvement District is required to contribute 11.090% of their covered salary through December 31, 2006. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Price River Water Improvement District contributions to the Local Governmental Non-contributory Retirement System for the years ending December 31, 2006, 2005, and 2004 were \$133,154, \$128,078 and \$114,833, respectively. For the 401(k) plan, the contributions for December 31, 2006, 2005, and 2004 were \$25,502, \$25,163, and \$24,154 respectively. The contributions were equal to the required contributions for each year.

401(K) Retirement Plan

The employees and management of the District elected not to be covered by the Social Security system. They have elected in lieu of Social Security to make payments for years beginning after December 31, 1982 to their 401(K) Retirement Plan.

The 401(K) Retirement Plan was implemented by the District on January 1, 1983 in lieu of Social Security is managed by the Liberty Fund Services, Inc.

Price River Water Improvement District is legally obligated to contribute to the retirement plan as long as they have employees who qualify for membership in the plan. The contribution rate in effect and the contributions made for the year ended December 31, 2006 are as follows, figured on the members' total compensation of the plan year, not to exceed the Social Security integration level for any plan year.

	<u>Contributions</u>	
	<u>Employees</u>	<u>Employer</u>
Contribution Rate	5.52%	12.38%
Contribution for year 2006	\$68,911	\$154,544

PRICE RIVER WATER IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; errors and omissions; violation of civil rights; theft of, damage to, and destruction of assets; and natural disasters. These risks are covered by the District's participation in the Utah Local Government Insurance Trust. This is a pooled arrangement where the districts pay experienced rated annual premiums which are designed to pay claims and build sufficient reserves so that the pool will be able to protect the participating entities with its own capital. The pool reinsures excess losses to preserve the capital base. Property physical damage, and errors and omissions are insured up to \$1,000,000 with a \$1,000 deductible. The pool also includes Worker's Compensation coverage. Employee Fidelity Bonds have been purchased from independent commercial insurance companies. Insurance coverage from coverage by major category of risk has remained relatively constant as compared to the prior fiscal year. Insurance settlements have not exceeded insurance coverage for the past three years.

NOTE 11 – OTHER DISCLOSURES

As of December 31, 2006 the District had a negative unreserved fund balance of \$132,601 in the general fund.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent to the balance sheet date the District obtained \$514,000 in tax anticipation notes. The proceeds were used to make the required bond payments.

REQUIRED SUPPLEMENTAL INFORMATION

PRICE RIVER WATER IMPROVEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Totals</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Taxes	\$ 958,683	\$ 811,134	\$ 790,523	\$ (20,611)
Interest	5,500	13,762	13,925	163
Total Revenues	<u>964,183</u>	<u>824,896</u>	<u>804,448</u>	<u>(20,448)</u>
EXPENDITURES				
Current:				
Administration	1,188,976	851,486	859,282	(7,796)
Capital outlay	17,000	-	-	-
Total expenditures	<u>1,205,976</u>	<u>851,486</u>	<u>859,282</u>	<u>(7,796)</u>
Excess (deficit) of revenues over (under) expenditures	(241,793)	(26,590)	(54,834)	(28,244)
OTHER FINANCING SOURCES (USES)				
Transfers to other finds				-
Transfers from other funds	-			-
Sale of assets	-		-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in fund balance	(241,793)	(26,590)	(54,834)	(28,244)
Fund balances - beginning	<u>(77,767)</u>	<u>(77,767)</u>	<u>(77,767)</u>	<u>-</u>
Fund balances - ending	<u>\$ (319,560)</u>	<u>\$ (104,357)</u>	<u>\$ (132,601)</u>	<u>\$ (28,244)</u>

See accompanying notes to the financial statements.

PRICE RIVER WATER IMPROVEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Totals</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Taxes	\$ 94,523	\$ 94,523	\$ 89,415	\$ (5,108)
Total revenues	94,523	94,523	89,415	(5,108)
EXPENDITURES				
Current:				
Administration	94,523	94,523	94,523	-
Total expenditures	94,523	94,523	94,523	-
Excess (deficit) of revenues over (under) expenditures	-	-	(5,108)	(5,108)
OTHER FINANCING SOURCES (USES)				
Net change in fund balance	-	-	(5,108)	(5,108)
Fund balances - beginning	79,168	79,168	79,168	-
Fund balances - ending	<u>\$ 79,168</u>	<u>\$ 79,168</u>	<u>\$ 74,060</u>	<u>\$ (5,108)</u>

See accompanying notes to the financial statements.

OTHER SUPPLEMENTAL INFORMATION

PRICE RIVER WATER IMPROVEMENT DISTRICT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
DECEMBER 31, 2006

	<u>Utility Maintenance</u>	<u>Fleet Maintenance</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ -	\$ -
Inventory	111,402	-	111,402
Total current assets	<u>111,402</u>	<u>-</u>	<u>111,402</u>
Noncurrent assets:			
Capital assets	923,730	521,042	1,444,772
Less: Accumulated depreciation	(582,860)	(359,834)	(942,694)
Total noncurrent assets	<u>340,870</u>	<u>161,208</u>	<u>502,078</u>
Total assets	<u>452,272</u>	<u>161,208</u>	<u>613,480</u>
LIABILITIES			
Current liabilities:			
Accounts payable	9,632	1,850	11,482
Due to other funds	374,064	96,549	470,613
Accrued wages payable	8,260	2,560	10,820
Accrued Interest		935	935
Accrued compensated absences	60,316	22,309	82,625
Current Portion of Long-term debt		18,158	18,158
Total current liabilities	<u>452,272</u>	<u>142,361</u>	<u>594,633</u>
Noncurrent liabilities:			
Long-term debt		18,847	18,847
Total liabilities	<u>452,272</u>	<u>161,208</u>	<u>613,480</u>
Net assets:			
Invested in capital assets, net of related debt	340,870	124,203	465,073
Unrestricted	(340,870)	(124,203)	(465,073)
Total net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

PRICE RIVER WATER IMPROVEMENT DISTRICT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
YEAR ENDED DECEMBER 31, 2006

	Utility Maintenance	Fleet Maintenance	Total
Operating revenues:			
Charges for services	\$ 894,527	\$ 494,330	\$ 1,388,857
Total operating revenues	<u>894,527</u>	<u>494,330</u>	<u>1,388,857</u>
Operating expenses:			
Wages and benefits	623,720	250,740	874,460
Purchased services	53,873	4,791	58,664
Supplies and materials	178,302	170,162	348,464
Depreciation and amortization	34,614	65,619	100,233
Miscellaneous	4,018	1,567	5,585
Total operating expenses	<u>894,527</u>	<u>492,879</u>	<u>1,387,406</u>
Operating income	<u>-</u>	<u>1,451</u>	<u>1,451</u>
Nonoperating revenues (expenses):			
Interest expense and fiscal charges	<u>-</u>	<u>(1,451)</u>	<u>(1,451)</u>
Net Income (loss)	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	-	-	-
Total net assets - beginning	-	-	-
Total net assets - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

PRICE RIVER WATER IMPROVEMENT DISTRICT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2006

	Utility Maintenance	Fleet Maintenance	Total
Cash Flows From Operating Activities			
Payments from interfund services	\$ 894,527	\$ 494,330	\$ 1,388,857
Payments to suppliers	(261,622)	(199,342)	(460,964)
Payments to employees	(619,302)	(250,105)	(869,407)
Net cash provided (used) by operating activities	<u>13,603</u>	<u>44,883</u>	<u>58,486</u>
Cash Flows From Noncapital Financing Activities			-
Due other funds			-
Cash Flows From Capital and Related Financing Activities			-
Capital lease proceeds			-
Acquisition of capital assets	(13,603)	(25,323)	(38,926)
Principal Paid on Capital Debt		(17,495)	(17,495)
Interest Paid on Capital Debt		(2,065)	(2,065)
Cash Flows From Investing Activities	-	-	-
Net increase (decrease) in cash and cash equivalents	-	-	-
Cash and cash equivalents - beginning	-	-	-
Cash and cash equivalents - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	<u>\$ -</u>	<u>\$ 1,451</u>	<u>\$ 1,451</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	34,614	65,619	100,233
(Increase) decrease in inventory	(21,787)	-	(21,787)
Increase (decrease) in accounts payable	(5,077)	(6,929)	(12,006)
Increase (decrease) in due to other funds	1,435	(15,893)	(14,458)
Increase (decrease) in compensated absences	3,373	1,031	4,404
Increase (decrease) in wages payable	1,045	(396)	649
Total adjustments	<u>13,603</u>	<u>43,432</u>	<u>57,035</u>
Net cash provided (used) by operating activities	<u>\$ 13,603</u>	<u>44,883</u>	<u>\$ 58,486</u>

See accompanying notes to the financial statements.

PRICE RIVER WATER IMPROVEMENT DISTRICT
IMPACT FEE SCHEDULE
DECEMBER 31, 2006

WATER IMPACT FEES

<u>YEAR</u>	<u>COLLECTED</u>
July 15, 1997-1998	\$ 46,490.00
1999	24,000.00
2000	19,745.00
2001	17,000.00
2002	19,750.00
2003	12,600.00
2004	10,000.00
2005	57,200.00
2006	15,250.00
TOTAL IMPACT FEES COLLECTED	\$ 222,035.00

WATER IMPACT FEE PROJECTS

<u>YEAR</u>	<u>DISCRIPTION OF PROJECT</u>	<u>EXPENSE</u>
1997	IMPACT FEE STUDY	\$ 11,455.59
2002	MAIN LINE CONTROL BOX UPGRADE	10,727.61
2002	REGIONAL WATER LINE PROJECTS	29,544.92
2002	IMPACT FEE STUDY REVIEW	5,250.00
2005	REGIONAL WATER LINE PROJECTS	56,421.91
2006	PRESSURE REDUCING STATIONS	52,330.68
2006	WATER SAMPLING STATIONS	9,779.40
2006	REGIONAL WATER LINE PROJECTS	7,856.16
TOTAL WATER IMPACT EXPENSES		\$ 183366.27

SEWER IMPACT FEES

<u>YEAR</u>	<u>COLLECTED</u>
JULY 15, 1997-1998	\$ 59,140.00
1999	69,000.00
2000	39,280.60
2001	36,600.00
2002	26,500.00
2003	38,375.00
2004	30,655.00
2005	40,009.03
2006	34,459.00
TOTAL SEWER IMPACT FEES COLLECTED	\$ 374,018.63

SEWER IMPACT FEE PROJECTS

<u>YEAR</u>	<u>DISCRIPTION OF PROJECT</u>	<u>EXPENSE</u>
1997	IMPACT FEE STUDY	\$ 11,455.59
1997	FASSIO LANE SEWER PROJECT	24,633.58
1998	BIOSOLIDS STORAGE AREA	76,107.56
1999	SIPHON REPLACEMENT	85,743.01
2002	IMPACT FEE STUDY REVIEW	5,250.00
2002	ELM STREET SEWER PROJECT	38,790.50
2003	HIGHWAY 10 SEWER PROJECT	116,442.55
TOTAL SEWER IMPACT EXPENSES		\$ 358,422.79

IMPACT FEES UNSPENT

WATER	\$ 38668.73
SEWER	\$ 15595.84

UNSPENT FEES WILL BE SPENT FOR APPROVED WATER AND SEWER SYSTEM PROJECTS

GILBERT & STEWART

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Board of Trustees
Price River Water Improvement District
Price, UT

June 30, 2007

We have audited the accompanying financial statements of the Governmental activities, business-type activities, and each major fund, of Price River Water Improvement District for the year ended December 31, 2006, and have issued our report thereon dated June 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of Price River Water Improvement District, for the year ended December 31, 2006, we obtained an understanding of the internal controls over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal controls over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider certain deficiencies described in the accompanying management letter to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

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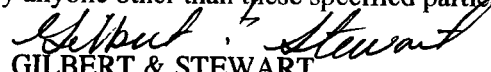
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Price River Water Improvement District's compliance with certain provisions of laws, regulations, contracts, and grants noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not the objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of Price River Water Improvement District, in a separate letter dated June 30, 2007.

This report is intended solely for the information and use of the management, District Board, and Utah State Auditor and is not intended to be and should not be used by anyone other than these specified parties.


GILBERT & STEWART
Certified Public Accountants

GILBERT & STEWART

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INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE WITH APPLICABLE UTAH STATE LAWS AND REGULATIONS

Honorable Board of Trustees
Price River Water Improvement District
Price, UT

June 30, 2007

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of Price River Water Improvement District for the year ended December 31, 2006, and have issued our report thereon dated June 30, 2007.

The District received the following non-major grant which is not required to be audited for specific compliance requirements: (However, this grant was subject to test work as part of the audit of the District's financial statements.)

Division of Water Quality

Our audit included test work on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Truth in Taxation & Property Tax Limitations
Impact Fees
Purchasing Requirements

Special Districts
Cash Management
Budgetary Compliance

Public Debt
Other General Issues

The District did not receive any major State grants during the year ended December 31, 2006.

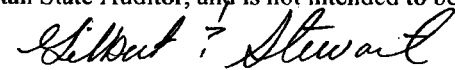
The management of the Price River Water Improvement District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Price River Water Improvement District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2006.

This report is intended solely for the information of management and the Utah State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.


GILBERT & STEWART
Certified Public Accountants

PRICE RIVER WATER IMPROVEMENT DISTRICT

MANAGEMENT LETTER

DECEMBER 31, 2006

GILBERT & STEWART
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June 30, 2007
Board of Trustees
Price River Water Improvement District
Midway, Utah

We have audited the financial statements of Price River Water Improvement District as of and for the year ended December 31, 2006 and have issued our report thereon dated June 30, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Price River Water Improvement District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Price River Water Improvement District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Price River Water Improvement District are described in Note 1 to the financial statements. No new accounting policies or procedures were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by

Price River Water Improvement District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Significant Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Price River Water Improvement District financial reporting process. In our judgment, none of the adjustments we proposed whether recorded or unrecorded by the District, either individually or in the aggregate, indicate matters that could have a significant effect on the District's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the government unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication of Significant Deficiencies and Material Weaknesses.

In planning and performing our audit of the financial statements of the business-type activities and the aggregate remaining fund information of Price River Water Improvement District as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered Price River Water Improvement District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

- 06-01 During our audit, we found that the proper segregation of duties does not exist to provide for a proper internal control structure. Inherent staff limitations placed on small districts make it difficult to provide for these separations in a cost effective manner. We recommend that, when feasible, the District provide for proper segregation of duties. However, because in so many instances it is not feasible to provide for these separations, the board of trustees should continue to constantly be aware of the need for administrative review of transactions and activities of the District.

Utah State Legal Compliance Findings - Current Year:

06-1 General Compliance – Fund Balance Compliance

Finding: Utah State law prohibits the district from maintaining a negative fund balance in the general fund. We noted that the general fund has a negative fund balance of (\$132,601).

Recommendation: We recommend that the District make the necessary budget adjustments or operating transfers in order to bring the fund balance into compliance with state law.

Management's Response: We concur with the auditors recommendations and will make the necessary adjustments.

06- General Compliance – Budgetary Compliance

Finding: Utah State law prohibits the district from incurring expenses in excess of appropriations. We noted that the general fund had expenditures in excess of budgeted amounts by \$7,796.

Recommendation: We recommend that the District make the necessary budget adjustments or in order to bring the expenditures into compliance with state law.

Management's Response: We concur with the auditors recommendations and will make the necessary adjustments.

Utah State Legal Compliance Findings – Prior Year:

05-1 General Compliance – Fund Balance Compliance

Finding: Utah State law prohibits the district from maintaining a negative fund balance in the general fund. We noted that the general fund has a negative fund balance of (\$77,767).

Recommendation: We recommend that the District make the necessary budget adjustments or operating transfers in order to bring the fund balance into compliance with state law.

Current Status: See current year finding 06-1

Other Matters for Consideration

Internal Control Procedures

Internal control procedures require that functions dealing with the control of assets and the functions dealing with the accounting of assets, such as cash, not be performed by the same individual. The receiving of cash, disbursing of funds, and the reconciling of bank accounts should be separated where possible. Where it is not possible, because of staff limitation, these functions should be reviewed by a responsible official.

Potential Bad Debt

During the course of the audit, we observed that a water and sewer customer is behind \$98,043 in service payments, which represents 4 months of service. We recommend the District review its agreement with this customer and their collection policies and set limits to the receivable to determine when and what collection procedures should be taken. If collection is going to take longer than a year, perhaps a long-term note could be negotiated. An allowance for bad debt should be established for any receivable determined to be uncollectible.

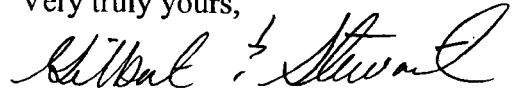
Budget Adjustments

We recommend that the District adjust the adopted budget to reclassify transfers from the utility and general funds into the internal service funds as charges for services revenue in the internal service funds and operating expenses in the general and utility funds.

We wish to express our appreciation to the District's personnel for the friendly and enthusiastic help extended to us during the course of the examination. They were helpful in locating records and documentation during our audit. If you have any questions regarding this letter or the audit report please call.

This information is intended solely for the use of management of the Price River Water Improvement District, the District Board, and the Utah State Auditor and is not intended and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Gilbert & Stewart", written in dark ink.

GILBERT & STEWART

Certified Public Accountants